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ANNUAL REPORT 2005

WITH A VISION TO ENRICH THE WORLD WITH ART INSPIRED DÉCOR,

Art In Motion's passion is working with talented artists to bring their beautiful art to customers around the world.

Our collections are the culmination of inspiration, innovation, hard work and a commitment to excellence. By continually researching emerging style innovations, we remain at the forefront of trend development, bringing to our customers the stylish and creative products they have come to expect. As both a fine art publisher and wholesale framer, we are proud of the innovative framing designs we develop that complement the style and beauty of each collection. All images are framed to Art In Motion's high quality standards and feature unique designs and materials.

Continually enhancing and expanding our diverse collections, we release supplements to our collections each year. Our current product family features; framed prints, unframed prints, decographs (prints adhered to painted wood panels) canvas transfers (prints adhered to canvas-like material) as well as our recently introduced Canvas Collection.

A global leader, our products are found around the world in a wide variety of retail chains, as part of the décor in public and design spaces and can be seen in various media productions. In North America we focus on providing top-quality finished products. Internationally we primarily sell unframed prints through regional distributors, wholesale framers and large retailers. Our Licensing division works with manufacturers, placing our images on a variety of decorative home décor and giftware products. For more information please visit www.artinmotion.com

To Our Unitholders

Art In Motion's first full year as an income trust was, in a word, disappointing. Lower than expected sales and the rising value of the Canadian dollar caused our revenue to decline to the point where we decided to reduce our distribution payments and align them with our expected cash flow for the year. The negative market conditions, along with a short but damaging period of political instability related to the tax treatment of Canadian income trusts, combined to drive our unit price from $7.30 at the beginning of 2005 to a year-end closing price of $2.90. We are, of course, not satisfied with the current situation. The entire Art In Motion team is working hard to improve our business performance on a number of fronts, and we continue to be optimistic about the future.

Summary of 2005 Results

Art In Motion's revenue for the year was $65.8 million, down 24% over the previous year which included our first five months as an income trust and seven months for the predecessor companies. The decline in sales was due mainly to reduced orders from some of our large U.S. customers, who ended up with excess inventory after the 2004 holiday season and therefore ordered less new stock in the first half of 2005. With some of these same customers, the negative trend continued into the second half of the year and resulted in conservative orders for the 2005 holiday season. In addition, we continued to experience pressure on our margins from big-box retailers who are offering inexpensive, lower-quality wall décor manufactured in Asia. Our 2005 revenue was also affected by the continuing strength of the Canadian dollar, although the impact on our net earnings was somewhat mitigated by our currency hedging program.

Our gross profit for the year ended December 31, 2005 was $20.0 million compared to $29.7 million for the year ended December 31, 2004. Operating expenses were $55.9 million in 2005 compared to $13.1 million in 2004. The largest portion of the year-over-year increase in expenses was a $34.8 million write-down of goodwill. Excluding the write-down, expenses were $21.1 million. The increase was mainly driven by increased amortization of $3.2 million and a $9.2 million change in hedge values related to the continued decline of the value of the U.S. dollar. These cost increases were offset by a $1.7 million reduction in selling, general and administrative expenses and a $3.3 million increase in foreign exchange gains.

In 2005 Art In Motion posted a net loss of $25.7 million, including the $34.8 million write-down of goodwill compared to net earnings of $15.7 million in 2004.

2005 Milestones

In March of 2005 Paul Wagler resigned as Chief Executive Officer of the Fund. As a co-founder of Art In Motion, I had previously served as President and CEO until our initial public offering in August 2004. After the IPO, I continued in an active role as a board member and strategic advisor to management. I was honoured to once again take on the role of CEO to help steward Art In Motion through this challenging period.

- In the first quarter of 2005, to offset the impact of the strengthening Canadian dollar, we began manufacturing some of our products in China.
- In the second quarter of 2005, Art In Motion recorded a write-down of $34.8 million in goodwill, that was precipitated by lower sales volume, which in turn impacted our cash available for distribution to our Unitholders. The write-down did not affect our EBITDA, distributable cash or credit facilities.

- On September 8, the Canadian Department of Finance launched a public consultation process on the tax status of income trusts that sent shockwaves of uncertainty throughout the investment community, affecting the unit valuations of many income trusts.
- In early October, Margaret Penfold joined Art In Motion's executive team as Senior Vice President, Sales and Marketing. Margaret brings knowledge, passion and leadership to her new role with the company.
- On October 6, as a result of lower-than-expected sales in the traditionally strong pre-Christmas buying season and a generally soft U.S. consumer market for our products, Art In Motion's Board announced a reduction in our cash distribution from the historical amount of $0.10417 per fund unit to $0.05 per fund unit per month.
- On November 23, the uncertainty over the tax treatment of income trusts came to an end as Canadian Minister of Finance Ralph Goodale announced a reduction of personal income taxes on dividends, designed to "help level the playing field between corporations and income trusts." The move effectively ended the uncertainty that had been weighing on Canadian income trusts.
- In November, company co-founder Vicki Peters and I both voluntarily waived all compensation in our roles at Art In Motion as a temporary cost-cutting measure. In December we also purchased 627,600 Fund units to reaffirm our commitment to the company and to show support for our loyal Unitholders.

Looking Ahead

While we were happy to see the end of 2005, as Art In Motion moves into 2006, marketplace signals remain mixed. For example, in the fourth quarter of 2005 we saw sales increase with six of our top 10 customers, but orders from the other four were down - one significantly, by close to $2 million.

And yet there is plenty of room for optimism when one considers Art In Motion's current situation.

- We continue to bring in fresh talent to further enhance our strong leadership team. In January we welcomed Larry Sullivan as our new Chief Operating Officer. Larry comes to us from BakeMark, an international manufacturer and supplier of fine bakery and food ingredients, where he was President and Chief Executive Officer. Prior to joining BakeMark, Larry held finance, general management and executive positions with companies including: Alberta Distillers Limited, Fraser Valley Foods, Mointra Services Inc. and Labatt Breweries. Larry's experience in manufacturing, distribution, strategy and corporate development, coupled with his background in finance and his focus on results, make him a great addition to our executive team as we work to build and grow Art In Motion as a global company.
- Our exciting, newly redesigned catalogue was launched in February and our latest collection has garnered a positive response from home décor retailers. Replenishment orders are coming in, and at some trade shows we are seeing year-over-year increases in sales, but it is too early to know how well our products are selling through to end consumers.
- We are maintaining a strong financial position. As of the end of 2005, we had approximately $3.4 million of cash in the bank and we are not using our operating line. Our accounts receivable remain current and we continue to closely manage our raw material inventory. In addition, with office, manufacturing and distribution facilities all newly built in the last few years, we have the capacity to accommodate growth and our ongoing capital expenditures are relatively low.

- We continue to develop new products and programs for our customers. One promising area of potential growth is using the latest technologies to print images directly on canvas, allowing us to produce gallery quality pieces at mass market prices. In the coming year we also plan to present a new line of alternative wall décor to our customers that will include decorative mirrors.
- We are actively pursuing new customers in our existing business lines at the same time as we explore new market opportunities and distribution channels. For example, we are in the early stages of introducing framed products to Europe, Australia and Asia.
- At the same time as we pursue growth opportunities, we continue to look for ways to further increase efficiency in our operations. We are constantly refining our manufacturing processes to reduce costs while maintaining our high quality standards, and we continue to produce some of our products in China to reduce costs and support our margins.
- Although our current unit price does not provide us with the leverage we would like, we continue to look at acquisition opportunities where we can improve our image content or access new distribution channels.

It has been over 20 years since Vicki and I founded this business with a vision of providing consumers with beautiful images for their homes at an affordable price. Since then, we have seen our share of market downturns and other business challenges. Despite the difficulties we faced during the past year, our vision is just as vibrant as ever. Art In Motion remains the leading integrated player in the global wall décor industry, with many competitive advantages: a brilliant stable of artists producing beautiful images; a superb and expanding product line that showcases those images; a strong, stable balance sheet; and an experienced and capable team of employees who are committed to a successful future.

I am just as confident as ever in that future and I look forward to reporting our progress to investors in the year ahead.

Garry Peters

Chief Executive Officer

Management's Discussion & Analysis

As at March 6, 2006

Art In Motion Income Fund (the "Fund") was launched on August 3, 2004. The accompanying financial statements present the Fund's results from January 1, 2005 to December 31, 2005. Comparative information for the full year is not provided in the consolidated financial statements as the Fund was only in operation for approximately five months in 2004.

In order to provide meaningful information to the user, the following Management's Discussion and Analysis ("MD&A") will compare our financial statements to Art In Motion's unaudited results of operations for the year ended December 31, 2004.

These comparative amounts have been prepared on a pro forma basis to reflect the new financial structure of the Fund. These results have been presented only to provide the user with additional information to enhance the comparability of operating results to Art In Motion's results for the year ended December 31, 2004.

This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes ("Financial Statements") of the Fund for the year ended December 31, 2005. Results are reported in Canadian dollars unless stated otherwise and have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Overview of the Fund

The Fund is an unincorporated, open-ended, limited purpose trust, which was created under the laws of British Columbia to indirectly acquire and hold limited partnership units of Art In Motion Limited Partnership ("AIM LP"). On August 3, 2004 the Fund closed its initial public offering ("IPO") for 7,500,000 trust units at a unit price of $10.00 for gross proceeds of $75.0 million. Underwriting and other issue-related costs totaled $7.3 million, leaving net proceeds of $67.7 million. Concurrent with the IPO the Fund acquired approximately 70% of AIM LP that in turn acquired, directly and indirectly, the business assets of GVP Holdings Inc ("GVP"). GVP is the predecessor firm that operated the business of Art In Motion. In addition to the net proceeds of the offering, AIM LP borrowed $20 million under its term credit facilities to acquire the business assets from GVP. On August 19, 2004, the underwriters exercised their over-allotment option and an additional 530,070 Fund units were sold. Net proceeds of approximately $5.0 million were used to reduce the non-controlling interest. The Fund currently has 8,030,070 units outstanding and indirectly holds approximately 75% of the limited partnership units of AIM LP.

Forward Looking Statements

This report contains "forward looking statements". These statements relate to future events or future performance and reflect our expectations regarding our growth, results of operations, performance, business prospects or opportunities or industry performance or trends. These forward-looking statements reflect our current internal projections, expectations or beliefs and are based on information currently available to us. In some cases, forward looking statements can be identified by terminology such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from those discussed in the forward-looking statements. You should specifically consider these factors including the risks and uncertainties described under "Risk Factors" elsewhere in this report. Although we believe that the forward-looking statements contained herein are based on reasonable assumptions, you cannot be assured that actual results will be consistent with such statements. Forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

DISCUSSION OF ANNUAL RESULTS

Overall Performance

This report covers the period from January 1, 2005 to December 31, 2005. A detailed discussion of our results is presented in the sections that follow. The following points present the highlights of our performance.

- The Fund's revenue for the year was $65.8 million.
- Gross profit for the year was $20.0 million for a gross margin of 30.4%.
- The Fund posted a net loss of $25.7 million for the year, after non-controlling interest, and after reducing the carrying value of goodwill by $34.8 million.
- Basic and diluted loss per unit was $3.1957 based on weighted average Fund units outstanding (1).
- The Fund generated $12.1 million in cash flow from continuing operations and ended the year with $3.4 million of cash on hand.
- The Fund generated distributable cash (see "Non-GAAP Measures") of $0.90223 per unit on the total 10,706,760 units outstanding. The Fund's payout ratio for the year was 96.4%.
- The Fund had total assets of $83.4 million and $25.7 million in current and long-term liabilities.

Note

(1) In addition to the 8,030,070 outstanding Fund units, there are 535,338 unsubordinated units of AIM LP and 2,141,352 subordinated units of AIM LP held by the non-controlling interest. These subordinated and unsubordinated units of AIM LP are currently held by GVP and represent GVP's retained interest in our business.

Non-GAAP Measures

For the purposes of the MD&A, EBITDA is defined as net earnings that have been adjusted for: Non-controlling interest, interest expense, income taxes, amortization, goodwill impairment, unrealized gains and losses on forward foreign exchange contracts and interest rate swap, and charges related to the Founders' Employee Participation Plan ("FEPP"). See "Transactions with Related Parties" for a discussion on the FEPP.

EBITDA is a measure used by many investors to compare issuers on the ability to generate cash flows from operations. EBITDA is not a recognized measure under Canadian GAAP and is not intended to be representative of cash flows or results of operations determined in accordance with Canadian GAAP. We believe that EBITDA is the appropriate measure from which to make adjustments to determine our Distributable Cash. Since we intend to distribute substantially all of our available cash on an ongoing basis, we believe that EBITDA is a useful supplemental measure in evaluating our performance. You are cautioned, however, that EBITDA should not be construed as an alternative to net earnings (as determined in accordance with Canadian GAAP) as an indicator of our performance or to cash flows from operating activities as a measure of our liquidity and cash flows. Our methods of calculating EBITDA may differ from methods used by other issuers and, accordingly, our EBITDA may not be comparable to similarly titled amounts presented by other issuers.

Distributable cash is not a recognized measure under Canadian GAAP. Canadian open-ended income trusts, such as the Fund, use distributable cash as an indicator of financial performance. We define Distributable Cash as EBITDA less interest expense and capital expenditures.

Distributable cash may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to distributable cash as reported by such issuers. We believe that Distributable cash is a useful supplemental measure that tracks the performance of the business, excluding the effect of non-cash items. As such, we believe the most directly comparable GAAP measure is net earnings.

Selected Annual Consolidated Financial Information

(In thousands of dollars except per unit amounts)	The Fund 12 months ended December 31, 2005	Pre-Fund[1] 12 months ended December 31, 2004
Revenue	65,806	86,735
Cost of sales	45,775	57,007
Gross profit	20,031	29,728
	30.4%	34.3%
Operating expenses[2]	55,850	13,114
Non-controlling interest	(10,157)	916
Net earnings	**(25,662)**	**15,698**
	-39.0%	18.1%
Add (deduct)		
Non-controlling interest	(10,157)	916
Founders' employee participation plan[3]	1,642	759
Interest	1,099	513
Amortization	7,270	4,054
Goodwill Impairment[2]	34,826	-
Net change in interest rate swap	(307)	171
Net change in forward foreign exchange contracts	2,556	(7,114)
EBITDA[4]	**11,267**	**14,997**
	17.1%	17.3%
Basic and diluted earnings per unit	-3.1957	N/A
Total Assets	83,403	129,712
Total Long Term Liabilities	20,000	20,000

(1) The amounts for the year ended December 31, 2004 represent the period from January 1, 2004 to August 2, 2004 of the combined entities of the predecessor companies that were amalgamated to form GVP Holdings Inc. prior to the IPO on August 3, 2004 aggregated with the financial information of the Fund for the period from August 3, 2004 to December 31, 2004. To provide comparable amounts, we have eliminated shareholder bonuses and income taxes from the 2004 amounts. The 2004 amounts have not been adjusted for interest on our $20 million term loan or the amortization of our identifiable intangible assets.

(2) Operating Expenses are the combined net total of Expenses and Other Earnings as shown in our Financial Statements. Operating expenses include a $34.8 million write-down of goodwill that was recorded in the second quarter of 2005.

(3) Under the FEPP, GVP provides bonus payments to employees based on the notional interest in a portion of its non-controlling interest in AIM LP. The costs of the FEPP are recorded as a charge against the Fund but are funded by GVP. These charges are then offset against the non-controlling interest resulting in no impact to our net earnings.

(4) See "Non-GAAP Measures" for our definition of EBITDA.

Sales

Revenue for the year ended December 31, 2005 was $65.8 million compared to $86.7 million for the year ended December 31, 2004 or a decrease of 24.1% over the prior year. The majority of this decrease was largely a result of significant reductions in orders from some of our key accounts. Early in the year a number of our customers held excess inventory after the 2004 holiday season. Orders in the first two quarters were down as they sold through their inventory. In the second half of the year some of these same customers were reporting decreases in same store sales and were working to increase their customer traffic and change their product mix. Sales to our top ten customers were down $13.9 million in 2005 compared to 2004.

The strengthening of the Canadian dollar relative to the US dollar also impacted our sales. Approximately 89% of our sales for the year were denominated in US dollars. The Bank of Canada annual average exchange rate for 2005 was 1.2116 down 6.9% from the annual average rate of 1.3015 in 2004. Although the drop in foreign exchange rates has impacted our gross sales, we use forward foreign exchange contracts to hedge our currency risks and reduce the impact of currency changes on our profit margins. See discussion on "Financial Instruments" for more information on our currency-hedging program.

Expenses

Gross margin was 30.4% for the year ended December 31, 2005 compared to 34.3% for the year ended December 31, 2004. Gross profit for the year ended December 31, 2005 was $20.0 million compared to $29.7 million for the year ended December 31, 2004. Our gross margin was impacted by the lower gross revenue, increased customer allowances, fixed manufacturing costs and non-cash charges from the FEPP.

The current year includes approximately $1.6 million of charges related to the FEPP (see "Transactions with Related Parties"). Approximately $0.7 million was charged to cost of sales and $0.9 million was charged to operating expenses. The prior year includes approximately $0.8 million in FEPP charges with $0.4 million charged to cost of sales and $0.4 million charged to operating expenses. These costs are funded by GVP and do not impact net earnings or distributable cash. Excluding these charges, our gross margin was 31.4% for 2005 and 34.7% for 2004.

Operating expenses were $55.9 million for the year ended December 31, 2005 compared to $13.1 million for the year ended December 31, 2004. The current year includes a $34.8 million charge related to the write down of goodwill. Excluding this charge, operating expenses were $21.1million. The net increase in current year expenses was a result of several items, the most notable being increased amortization of $3.2 million, increased interest expense of $0.6 million, a decrease in the change in hedge values of $9.2 million, all of which are partially offset by a $1.7 million reduction in selling, general and administrative expenses and a $3.3 million increase in foreign exchange gains. The large net reduction in SG&A costs was almost entirely related to lower sales volumes that in turn resulted in lower commissions and incentives paid to sales agents and sales staff.

Net Earnings and EBITDA

For the year ended December 31, 2005, the Fund posted a net loss of $25.7 million after the $34.8 million write-down of goodwill. Net earnings for the year ended December 31, 2004 were $15.7 million.

EBITDA (see "Non-GAAP Measures") was $11.3 million for the year ended December 31, 2005 compared to $15.0 million last year. The current year EBITDA margin was 17.1% of sales and is comparable to 17.3% for the year ended December 31, 2004.

SUMMARY OF QUARTERLY RESULTS

The table below presents a summary of our quarterly results since the inception of the Fund.

(in thousands of dollars except unit and per unit amounts)	2005 Q4	2005 Q3	2005 Q2	2005 Q1	2004 Q4	Aug. 3, 2004 Sep. 30, 2004
Revenue	15,096	15,810	17,128	17,772	19,283	15,498
Gross Profit	4,210	4,917	5,329	5,575	6,000	5,237
Gross Profit %	27.9%	31.1%	31.1%	31.4%	31.1%	33.8%
Operating expenses	5,461	3,163	40,938	6,288	3,375	2,090
Non-Controlling Interest	(540)	223	(9,150)	(690)	397	519
Net earnings	(711)	1,531	(26,459)	(23)	2,228	2,628
EBITDA	2,604	2,244	3,342	3,077	3,370	2,280
EBITDA %	17.2%	14.2%	19.5%	17.3%	17.5%	14.7%
Distributable cash	2,264	1,720	2,922	2,754	2,966	2,113
Distributions	1,284	2,677	2,677	2,677	2,676	2,159
Payout ratio	56.7%	155.6%	91.6%	97.2%	90.2%	102.2%
Basic and diluted earnings per unit	(0.0885)	0.1906	(3.2950)	(0.0028)	0.2774	0.3337
Weighted average number of units outstanding	8,030,070	8,030,070	8,030,070	8,030,070	8,030,070	7,877,338

Revenue has declined over the last several quarters on lower sales volume from a number of our key customers and partially from the impact of the lower value of the U.S. dollar relative to the Canadian dollar. Gross profit has been steady at approximately 31% of sales except for the last quarter. The last quarter was impacted by discontinued and clear out items that were sold at low margins. Net earnings fluctuate with sales volume and the mark-to-market value of our forward foreign exchange contracts and interest rate hedge. Cash distributions were adjusted in the fourth quarter 2005 to align distributions with distributable cash we expected to generate for the year.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

During the year ended December 31, 2005 the Fund generated $12.1 million of cash from operations including $1.9 million related to changes in our non-cash operating working capital. At December 31, 2005 we had a net cash position of approximately $3.4 million and our operating line was not used.

Distributable Cash and Cash Distributions

The Fund's policy is to make distributions of our available cash to the maximum extent possible based on our estimate of Distributable Cash for the year. We intend to make equal monthly cash distributions to Unitholders of record on the last business day of each month, less amounts required to meet estimated expenses, cash redemptions or repurchase of units and other obligations and to establish reasonable reserves.

Distributable Cash

FOR THE THREE MONTHS AND TWELVE MONTHS ENDED DECEMBER 31, 2005

(IN THOUSANDS OF DOLLARS EXCEPT PER UNIT AMOUNTS)	3 MONTHS ENDED DECEMBER 31, 2005	12 MONTHS ENDED DECEMBER 31, 2005
EBITDA[1]	2,604	11,267
Add (deduct)		
Interest	(275)	(1,099)
Capital expenditures	(65)	(508)
Distributable cash[1]	2,264	9,660
Distributions on Fund units	1,204	8,733
Distributions on unsubordinated non-controlling interest [2]	80	582
Distributions on subordinated non-controlling interest [2]	-	-
	1,284	9,315
Outstanding units and per unit amounts		
Total units outstanding [2]	10,706,760	10,706,760
Distributable cash per unit	$ 0.21146	$ 0.90223
Distributions paid per unit	$ 0.11992	$ 0.87001
Distribution ratio	56.7%	96.4%
Outstanding units and per unit amounts (excludes Class C LP units)		
Total units outstanding [2]	8,565,408	8,565,408
Distributable cash per unit	$ 0.26432	$ 1.12779
Distributions paid per unit	$ 0.14991	$ 1.08751
Distribution ratio	56.7%	96.4%

(1) EBITDA and Distributable Cash are not recognized measures under Canadian GAAP. See our discussion on "Non-GAAP Measures".

(2) In addition to the 8,030,070 outstanding Fund units, there are 535,338 unsubordinated Class B units of AIM LP and 2,141,352 subordinated Class C units of AIM LP held by the non-controlling interest. The subordinated and unsubordinated units of AIM LP are currently held by GVP and represent GVP's retained interest in AIM LP. There are a total of 10,706,760 units including the fund and LP units. The Fund pays monthly distributions on 8,565,408 units being the total of the Fund units and the unsubordinated Class B AIM LP units. Distributions on the Class C LP units have been suspended.

Cash Distributions

For the period from January 1, 2005 to September 30, 2005, the Fund declared nine monthly distributions of $0.10417 per Fund unit. The same distributions were paid on the unsubordinated Class B Limited Partnership (LP) units. Distributions for the subordinated Class C LP units have been suspended from the quarter ended December 31, 2004. On October 6, 2005 the Fund announced that monthly distributions on Fund units would be reduced to $0.05 per unit effective with the October 2005 distribution. From October 1, 2005 to December 31, 2005 the Fund declared three monthly distributions of $0.05 per unit. Total cash distributions for the year were approximately $9.3 million. Distributions on subordinated Class C LP units remain suspended. Amounts less than the target distribution of $1.25 per Fund unit per year remain payable for a period of 12 months.

Credit Facilities

The Fund has a three-year non-amortizing $20 million Canadian dollar term loan that was fully drawn at August 3, 2004. The loan was drawn in Canadian dollars and initially had a floating rate of interest. On August 20, 2004 the Fund entered into an interest rate swap (see discussion on "Financial Instruments") that effectively locks the interest rate at 5.4% for the three year term of the loan. The principle matures on August 20, 2007. The company was in compliance with the covenants related to this debt as at December 31, 2005.

The Fund has a 364-day committed operating facility with a $15 million Canadian dollar limit based on various margin requirements. This operating facility was unused at December 31, 2005.

The Fund also has a foreign exchange facility with a notional risk limit of $22.8 million USD (see discussion on "Financial Instruments"). This facility allows the Fund to enter into a maximum of $60 million USD face value of USD/CAD forward foreign exchange contracts with maturities of up to 36 months. At December 31, 2005 we had US$41.5 million face value of contracts with maturities through June 2007. These contracts have exchange rates from 1.18 USD/CAD to 1.41 USD/CAD and a weighted average rate of 1.27 USD/CAD. These contracts have been recorded at their fair value of $4.6 million on the financial statements.

A single Canadian chartered bank provides all of these credit facilities.

Capital Expenditures

For the year ended December 31, 2005 the Fund spent approximately $508,000 on capital items. This was the total amount of our capital expenditures for the year as we do not separately identify maintenance capital expenditures from growth or expansion capital. We fund our capital requirements from cash on hand or from our credit facilities.

Contractual Obligations

The table below presents the Fund's obligations for long-term debt and operating leases related to equipment and premises.

	(in thousands of dollars)		
	Long-term debt	Operating leases	Total
Total	20,000	3,514	23,514
Less than 1 year	—	642	642
1-3 years	20,000	1,953	21,953
4-5 years	—	904	904
After 5 years	—	15	15

Off-Balance Sheet Arrangements

The Fund has no off-balance sheet arrangements with the exception of the forward foreign exchange contracts and the interest rate swap facility discussed below in "Financial Instruments".

The total long term debt of $20.0 million was unchanged from December 31, 2004. Operating lease commitments were $3.5 million compared to $2.7 million at December 31, 2004. The increase of $0.8 million was related to rent for expanded warehouse space that we occupied in Ferndale, Washington in August 2005 plus our commitment to a five year lease for tradeshow space in the World Market Center in Las Vegas, Nevada starting in 2007.

Transactions with Related Parties

The Founders' Employee Participation Plan ("FEPP") was established by GVP for the benefit of the employees of AIM LP. Under the FEPP, GVP will provide bonus payments to employees based on the notional interest in certain retained interest units of AIM LP. Employees are entitled to bonus payments based on the quarterly distributions on Class C units of AIM LP. The FEPP will also entitle the employees to the notional value of the Fund units subject to certain vesting and subordination provisions (see our Annual Information Form on www.sedar.com for additional information on the plan). The FEPP costs are accrued and recorded as a charge against the Fund but are funded by GVP. There will be no impact to net earnings, EBITDA or distributable cash.

DISCUSSION OF FOURTH QUARTER RESULTS

Selected Consolidated Financial Information

(IN THOUSANDS OF DOLLARS EXCEPT PER UNIT AMOUNTS)	3 MONTHS ENDED DECEMBER 31, 2005	3 MONTHS ENDED DECEMBER 31, 2004
Revenue	15,096	19,283
Cost of sales	10,886	13,283
Gross profit	4,210	6,000
	27.9%	31.1%
Operating expenses[1]	5,461	3,375
Non-controlling interest	(540)	397
Net earnings	**(711)**	**2,228**
	-4.7%	11.6%
Add (deduct)		
Non-controlling interest	(540)	397
Founders' employee participation plan[2]	309	379
Interest	275	302
Amortization	1,833	1,818
Goodwill Impairment	-	-
Net change in interest rate swap	(203)	171
Net change in forward foreign exchange contratcs	1,641	(1,925)
EBITDA[3]	**2,604**	**3,370**
	17.2%	17.5%
Basic and diluted earnings per unit	-0.0885	n/a

(1) Operating Expenses are the combined net total of Expenses and Other Earnings as shown in our Financial Statements.

(2) Under the FEPP, GVP provides bonus payments to employees based on the notional interest in a portion of its non-controlling interest in AIM LP. The costs of the FEPP are recorded as a charge against the Fund but are funded by GVP. These charges are then offset against the non-controlling interest resulting in no impact to our net earnings.

(3) See "Non-GAAP Measures" for our definition of EBITDA.

Sales

Revenue for the quarter ended December 31, 2005 was $15.1 million compared to $19.3 million for the quarter ended December 31, 2004 or a decrease of 21.7%. Overall sales were mixed across all of our channels as customers took a cautious approach to the holiday season and limited the amount of inventory that they carried. Six of our top ten customers showed sales increases for the fourth quarter in 2005 compared to the same quarter in 2004. While the four customers that were down represented a decrease in gross sales of $2.9 million, one customer accounted for $2.0 million of the decrease for the quarter this year compared to last year.

A portion of the decrease in revenue was related to the increased value of the Canadian dollar in the quarter compared to the US dollar as approximately 89% of our sales are denominated in US dollars. The average exchange rate for US dollars has dropped by approximately 3.9% during the fourth quarter 2005 compared to the fourth quarter 2004.

Expenses

Gross margin was 27.9% for the quarter ended December 31, 2005 compared to 31.1% for the quarter ended December 31, 2004. Gross profit for the quarter ended December 31, 2005 was $4.2 million compared to $6.0 million for the quarter ended December 31, 2004. The decrease in gross margin was related to lower sales, the lower value of the US dollar relative to the Canadian dollar, sale of a number of discontinued and clear out items at low margins, and certain fixed manufacturing overhead.

Operating expenses were $5.5 million for the quarter ended December 31, 2005 compared to $3.4 million for the same period in 2004. The net increase in expenses for the quarter this year was the net result of four items: a decrease of $3.6 million in the change in value of our forward foreign exchange contracts which was offset by a $0.4 million increase in the value of our interest rate swap, a $0.3 million reduction in general and administrative expenses and a $0.8 million increase in foreign exchange gains.

Net Earnings and EBITDA

The Fund posted a net loss of $0.7 million for the quarter ended December 31, 2005 compared to net earnings of $2.2 million for the same quarter in 2004.

EBITDA was $2.6 million for the quarter this year compared to $3.4 million for the fourth quarter last year. EBITDA margin was 17.2% for the fourth quarter 2005 compared to 17.5% for the same quarter last year.

Disclosure Controls and Procedures

As required by Multilateral Instrument 52-109 ("MI 52-109"), the Fund's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be making certifications related to the information contained in the Fund's annual filings. As part of the certification, the CEO and CFO must certify that they are responsible for establishing and maintaining disclosure controls and procedures to ensure that material information about the Fund and its subsidiaries is made known to them and that they have evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Fund is processed and reported on a timely basis to the Fund's management, including the CEO and CFO, as appropriate, to allow timely decisions with respect to required disclosure. The Fund's management, including the CEO and CFO, does not expect that the implemented disclosure controls will prevent or detect all misstatements due to error or fraud. There are inherent limitations in all control systems and an evaluation of control can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, have been detected. The Fund has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

As of December 31, 2005, the Fund management, under the supervision of, and with the participation of the

CEO and CFO evaluated the effectiveness of the design and operation of the disclosure controls and procedures. Based on this evaluation, the CEO and CFO have concluded that as at December 31, 2005, the Fund's disclosure controls and procedures were effective.

Critical Accounting Estimates

We believe that the accounting policies that are critical to our business relate to our use of estimates regarding the collectability of accounts receivable and valuation of inventories. The preparation of financial statements in accordance with Canadian GAAP requires that we make assumptions and estimates that can have a material impact on our results of operations as reported on a periodic basis.

Receivables and Inventory

Due to the nature of our business and the credit terms we provide to our customers, estimates and judgments are inherent in the ongoing assessment of the recoverability of our accounts receivable. We set up reserves for uncollectible accounts. We also set up reserves for product returns or customer credits based on historical data. In addition, assessments and judgments are inherent in the determination of the net realizable value of our inventories. Inventory is valued at the lower of cost and net realizable value. While we apply judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

Goodwill and Intangible Assets Impairment Tests

Goodwill is recorded at cost, and is not amortized. Intangible assets, comprising of image bank, artist agreements, and our customer base are recorded at cost and amortized over their estimated useful life. At least annually, management reviews the carrying value of intangible assets and goodwill for potential impairment. Among other things, this review considers the fair value of the business based on discounted estimated cash flows. If circumstances indicate that impairment in the value of these assets has occurred, we would record this impairment in the earnings of the current period. During the second quarter ending June 30, 2005, our goodwill was written down by $34.8 million due primarily to a decline in the estimated value of the Fund as a result of lower sales volumes. As at December 31, 2005, there was no impairment in intangible assets and no further impairment in goodwill.

Founders Employee Participation Plan ("FEPP")

Under the FEPP, employees will receive quarterly payments based on distributions received on Class C LP units by GVP Holdings Inc. and they will receive the value of those units, if those units have met the subordination release provisions. We are required to estimate if the units will meet the subordination criteria before the FEPP expires in 2009. Changes in our estimate of whether we will meet the subordination criteria will result in an adjustment in the accrual for the FEPP in the consolidated financial statements.

Changes in Accounting Policies Including Initial Adoptions

Our significant accounting policies are provided in the notes to our financial statements dated December 31, 2005. Except as noted below, these policies are consistent with the policies followed for the period ended December 31, 2004.

As of January 1, 2005, the Fund adopted Accounting Guideline 15, which requires a variable interest entity ("VIE") to be consolidated by its primary beneficiary ("PB"). The PB is the party that absorbs a majority of the VIE's expected losses and/or receives a majority of the expected residual returns. The Fund has evaluated its variable interests and has determined that the adoption of this guidance has no impact on the financial statements.

Financial Instruments

We use currency derivatives to manage our exposure to fluctuations in exchange rates between the Canadian and US dollar. Approximately 89% of our sales are denominated in US dollars. While a portion of our costs are in US dollars, each period we normally have net US dollars to sell. Our practice is to enter into forward foreign exchange contracts to minimize our exposure to currency fluctuations related to these net US dollars. At December 31, 2005 we had US$41.5 million face value of contracts with maturities through June 2007. These contracts have exchange rates from 1.18 USD/CAD to 1.41 USD/CAD and a weighted average rate of 1.27 USD/CAD. Canadian GAAP requires that we record our sales at the USD/CAD exchange rate at the time of the sale. We then record an unrealized gain or loss based on the mark-to-market ("MTM") value of our forward foreign exchange contracts in the statement of operations. Based on our existing contracts in place at December 31, 2005, our net earnings for the twelve months then ended included a $2.6 million unrealized loss related to the drop in the MTM value of our foreign exchange hedges. At December 31, 2005 our forward foreign exchange contracts were booked as an asset of $4.6 million based on their MTM value.

We are also subject to risks associated with fluctuating interest rates related to our long-term debt. To manage this risk, the Fund has entered into an interest rate swap transaction with HSBC Bank Canada. The swap transaction involves the exchange ("swap") of the underlying floating interest rate for an effective fixed interest rate of 3.65% plus a fee of 1.75% on a notional $20 million amount. The combined interest rate and service fee provides an effective rate of 5.4% on our $20 million term loan over the term of the loan. We record an unrealized gain or loss based on the MTM value of the interest rate swap in the statement of operations. For the period ended December 31, 2005 we recorded an unrealized gain of $0.3 million related to the interest rate swap. At December 31, 2005 the interest rate swap was booked as an asset of $0.1 million based on its MTM value.

Outlook

Our outlook for the next few quarters continues to be mixed. Some of our key accounts are reporting decreases in comparable same store sales while others are reporting modest increases. At industry tradeshows in January, independent retailers told us that they went into the December holiday season with limited inventory and had a good season. They were very excited about our spring collection and were replenishing their inventory with many of our new products but it is too early to know how these products are selling through to end consumers. In February, we launched our new catalogue for 2006 which presents our products in new and exciting ways. We expect the catalogue will be a great tool for our sales representatives and give us some momentum in the near term.

In the latter part of 2005 we worked with our board to update and refine our strategic plan. While the plan included a number of new initiatives it put more focus on certain fundamentals, such as product development, sales and marketing, efficient and effective production, as well as material and product sourcing. We will continue to invest in these areas that will help us to grow our sales while working to manage our controllable and discretionary expenses.

In October we added a new Senior Vice President, Sales & Marketing to our executive team. She is helping our various sales teams to enhance current customer relationships, focus on a new sales channel that we have targeted and assess new channels for distribution.

We continue to add creative resources to our Art Department both for image creation and new product development. We need to increase the number of images and products that we release annually to take full advantage of the new channels and markets that we are targeting.

In January, Larry Sullivan joined our executive team as Chief Operating Officer. His experience in manufacturing and distribution, strategy and corporate development coupled with his background in finance and his focus on results make him a great addition to our executive team as we work to build and grow our company.

Our manufacturing and supply chain operations are continually reviewed to improve our processes and efficiencies for both local and off-shore manufacturing. We will continue manufacturing in Canada for smaller orders and customers that require short lead times for their replenishment programs. For those customers that are able to plan their requirements with longer lead times we are able to have certain products manufactured off-shore.

High oil prices continue to put pressure on our raw material costs but especially on polystyrene that is used in the production of a number of our mouldings. These high fuel costs also impact transportation costs for both inbound materials and outbound finished products. The value of the US dollar relative to the Canadian dollar will continue to have a negative affect on our revenue and put pressure on our gross margins. We have some higher value currency hedges that mature through the first part of 2006 but the average value is lower for the second half of the year and into 2007.

While our current unit price does not provide us with the leverage to make any significant acquisitions, we believe there are certain types of companies that could add significant strategic value when combined with our business model and we will continue to explore opportunities.

Risks and Uncertainties

We are subject to a number of risks relating to our business and operations, namely: (i) we depend on key personnel, the loss of any of which could harm our business, (ii) we may not be able to renew contracts with existing artists or to secure contracts with new artists, (iii) our success depends on our ability to anticipate consumer preferences and market trends and to create leading-edge products, (iv) we may not be able to sustain our level of sales or EBITDA margins, (v) loss of our customers could reduce revenues and profitability, (vi) limited visibility of future sales could harm our business, (vii) seasonal and other fluctuations in our sales and in sales by our customers may negatively affect our business, (viii) decreases in the demand for wall décor could harm our business, (ix) we may be unable to sustain and manage our growth, (x) competition in our markets may lead to reduced revenues and profitability, (xi) our failure to protect our intellectual property could enable others to market products with our images or similar features which may reduce demand for our products, (xii) labour disruptions could negatively affect our business, (xiii) currency fluctuations may adversely affect us, (xiv) we are dependent on key suppliers, (xv) we are dependent upon our management information systems, (xvi) our insurance may be insufficient to cover losses that may occur as a result of our operations, (xvii) disruptions in our ability to deliver our products and increases in the costs of delivery could negatively affect our business, (xviii) our international sales expose us to foreign, political and economic instability, which could harm our operating results, (xix) we may incur losses related to credit provided to our customers, (xx) failure to comply with regulatory requirements could harm our business, and (xxi) we may become involved in litigation.

The risks and uncertainties described above are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may impair our business operations. If any of the risks actually occur, our business, results of operations and financial condition, and the amount of cash available for distribution to our unit holders could suffer. See our Annual Information Form ("AIF") for a complete discussion on the risks associated with our business. Our AIF can be found at www.sedar.com.

Additional Information

Additional information relating to the Fund, including all public filings, are available on SEDAR (www.sedar.com) and our website at www.aimincomefund.com.

As of March 6, 2006, 8,030,070 Units and 2,676,690 Special Voting Units of the Fund were issued and outstanding. In addition, 535,338 Class B Units and 2,141,352 Class C Units of AIM LP, which are exchangeable for Units of the Fund in accordance with terms of the Exchange Agreement between, among others, the Fund and AIM LP, were issued and outstanding as of March 6, 2006.

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CONSOLIDATED FINANCIAL STATEMENTS OF
ART IN MOTION
INCOME FUND

YEAR ENDED DECEMBER 31, 2005
PERIOD FROM AUGUST 3, 2004 TO DECEMBER 31, 2005

AUDITORS' REPORT

To the Board of Directors of Art In Motion Income Fund

We have audited the consolidated balance sheet of Art In Motion Income Fund as at December 31, 2005 and 2004 and the consolidated statements of operations, unitholders' equity and cash flows for the year ended December 31, 2005 and for the period from August 3, 2004 to December 31, 2004. These financial statements are the responsibility of the management of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the year ended December 31, 2005 and the period from August 3, 2004 to December 31, 2004 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada

March 6, 2006

ART IN MOTION INCOME FUND

CONSOLIDATED BALANCE SHEET

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

DECEMBER 31, 2005 AND 2004

ASSETS

	2005	2004
Current assets:		
Cash and cash equivalents	$ 3,448	$ 1,881
Accounts receivable	8,802	11,735
Forward foreign exchange contracts	3,679	4,780
Inventories (note 3)	5,942	6,470
Prepaid expenses	919	1,326
	22,790	26,192
Forward foreign exchange contracts	878	2,333
Interest rate swap	136	-
Property, plant and equipment (note 5)	18,641	19,652
Deferred financing costs	26	43
Intangible assets (note 6)	11,548	17,282
Goodwill	29,384	64,210
	$ 83,403	$ 129,712

LIABILITIES AND UNITHOLDERS' EQUITY

	2005	2004
Current liabilities:		
Bank indebtedness (note 7)	$ -	$ 662
Accounts payable and accrued liabilities	5,289	6,752
Distributions payable (note 4)	428	892
Due to related party (note 4)	-	57
	5,717	8,363
Interest rate swap	-	171
Long-term debt (note 7)	20,000	20,000
Non-controlling interest (note 8)	18,639	27,736
Unitholders' equity	39,047	73,442
	$ 83,403	$ 129,712

Commitments (note 11)

Contingencies (note 12)

See accompanying notes to consolidated financial statements

Approved on behalf of Art In Motion Income Fund

Bob Quart
Trustee

Wanda Costuros
Trustee

ART IN MOTION INCOME FUND
CONSOLIDATED STATEMENT OF OPERATIONS
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS EXCEPT UNIT AND PER UNIT AMOUNTS)

	YEAR ENDED DECEMBER 31, 2005	PERIOD FROM AUGUST 3, 2004 TO DECEMBER 31 2004
Revenue:		
Sales	$ 63,030	$ 32,969
Royalties	2,776	1,812
	65,806	34,781
Cost of goods sold	45,775	23,544
	20,031	11,237
Expenses:		
Amortization	6,432	2,676
General and administrative	5,494	2,542
Image and product development	1,778	690
Interest and bank charges	1,312	586
Selling	8,474	3,734
	23,490	10,228
Earnings (loss) before undernoted items	(3,459)	1,009
Other earnings (expenses):		
Interest rate swap	307	(171)
Foreign exchange gain	2,056	4,913
Goodwill impairment (note 2(h))	(34,826)	-
Gain on disposal of property, plant and equipment	20	1
Interest and miscellaneous	83	20
	(32,360)	4,763
Earnings (loss) before non-controlling interest	(35,819)	5,772
Non-controlling interest (note 8)	10,157	916
Net earnings (loss)	$ (25,662)	$ 4,856
Basic and diluted earnings (loss) per unit	$ (3.1957)	$ 0.6093
Weighted average number of units outstanding	8,030,070	7,970,393

See accompanying notes to consolidated financial statements.

ART IN MOTION INCOME FUND
Consolidated Statement of Unitholders' Equity
(Expressed in thousands of Canadian dollars except number of units)

Year ended December 31, 2005

Period from August 3, 2004 to December 31, 2004

	Number of units	Unitholders' capital	Accumulated earnings	Distributions	Total
Unitholders' capital issued on initial public offering, net of expenses	7,500,000	$ 67,731	$ -	$ -	$ 67,731
Issue of fund units for Class B LP units, net of expenses	530,070	4,983	-	-	4,983
Activity for the period	-	-	4,856	(4,128)	728
December 31, 2004	8,030,070	72,714	4,856	(4,128)	73,442
Activity for the period	-	-	(25,662)	(8,733)	(34,395)
Balance, December 31, 2005	8,030,070	$ 72,714	$ (20,806)	$ (12,861)	$ 39,047

See accompanying notes to consolidated financial statements.

ART IN MOTION INCOME FUND
CONSOLIDATED STATEMENT OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

Cash provided by (used in):	Year ended December 31, 2005	Period from August 3, 2004 to December 31 2004
Operations:		
Net earnings (loss)	$ (25,662)	$ 4,856
Items not involving cash:		
Amortization	7,270	3,030
Gain on disposal of property, plant and equipment	(20)	(1)
Goodwill impairment (note 2(h))	34,826	-
Non-controlling interest	(10,157)	916
Founders' Employee Participation Plan expenses	1,642	659
Net change in interest rate swap	(307)	171
Net change in forward foreign exchange contracts	2,556	(4,545)
	10,148	5,086
Change in non-cash operating working capital (note 15)	1,941	1,174
	12,089	6,260
Investments:		
Purchase of property, plant and equipment	(508)	(107)
Proceeds from sale of property, plant and equipment	20	4
Acquisition of business assets (note 1)	-	(87,731)
Acquisition of non-controlling interest (note 1)	-	(4,983)
	(488)	(92,817)
Financing:		
Bank indebtedness	(662)	662
Distributions paid or payable to unitholders	(8,733)	(4,128)
Distributions paid or payable to non-controlling interest	(582)	(707)
Due to related party	(57)	(204)
Contributions received for Founders' Employee Participation Plan (note 13)	-	101
Long-term debt	-	20,000
Net proceeds from issuance of units	-	72,714
	(10,034)	88,438
Increase in cash and cash equivalents	$ 1,567	$ 1,881
Cash and cash equivalents, beginning of period	1,881	-
Cash and cash equivalents, end of period	$ 3,448	$ 1,881
Supplementary information:		
Interest received	$ 63	$ 19
Interest paid	$ 1,122	$ 498

See accompanying notes to consolidated financial statements.

1. ORGANIZATION, NATURE OF OPERATIONS AND ACQUISITION:

(A) ORGANIZATION AND NATURE OF OPERATIONS:

Art In Motion Income Fund (the "Fund") is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia and governed by an Amended and Restated Declaration of Trust dated June 1, 2004. The Fund was created to acquire, indirectly, an interest in the business of publishing, framing and licensing of images and fine-art reproductions. The Fund commenced active operations on August 3, 2004 when it completed an initial public offering and the acquisition. The Fund holds, indirectly, a 75% interest in the units of Art In Motion Limited Partnership ("AIM LP"), a partnership established under the laws of the Province of Manitoba. The partnership is managed by Art In Motion GP Ltd., the general partner, over which the Fund has indirect control. The financial statements include the consolidated operations of AIM LP. The Fund intends to distribute, on a monthly basis, all cash available for distribution less reasonable reserves determined by the board of directors of AIM GP, including those required to fund debt service obligations and maintenance capital expenditures.

(B) ACQUISITION:

On August 3, 2004, the Fund completed an initial public offering of 7,500,000 units of the Fund (the "Offering") for gross proceeds of $75,000,000. The Fund, indirectly, invested the net proceeds of $67,730,855 to acquire a 70% interest in AIM LP by acquiring 7,500,000 class A LP units.

AIM LP then acquired the publishing, framing and licensing of images and fine-art reproductions business from GVP Holdings Inc. for $119,480,413. The purchase was funded by cash consideration of $87,730,855 (net proceeds from the offering plus bank debt of $20,000,000) and the balance of $31,749,558, through the issuance of 1,065,408 class B LP units and 2,141,352 class C LP units to GVP Holdings Inc.

The purchase agreement included a working capital adjustment to the purchase price. The working capital adjustment required that the difference between the working capital delivered on the initial acquisition and $12,800,000 be settled through a cash payment. The working capital excess delivered on initial acquisition of $260,902 has been reflected as due to related party in the purchase equation.

(TABULAR AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS)

1. ORGANIZATION, NATURE OF OPERATIONS AND ACQUISITION (CONTINUED):

(B) ACQUISITION (CONTINUED):

The acquisition is accounted for using the purchase method with the results of the business reflected in the Fund's financial statements commencing August 3, 2004. The fair value of the assets acquired is as follows:

Net working capital, excluding foreign exchange contracts	$ 13,061
Property, plant and equipment	20,182
Deferred financing fee	50
Foreign exchange contracts	2,568
Intangible assets	19,671
Goodwill	64,210
Due to related party	(261)
Non-controlling interest	(31,750)
	$ 87,731
The purchase was funded by:	
Cash	$ 67,731
Long-term debt	20,000
	$ 87,731

Included in intangible assets are $501,000 for the image bank, $8,290,000 for artist agreements and $10,880,000 for the customer base.

On August 20, 2004, the Fund issued 530,070 units for net proceeds of $4,982,658 and used the proceeds to acquire 530,070 class B LP units, representing an additional 5% interest in AIM LP, from the non-controlling interest.

2. SIGNIFICANT ACCOUNTING POLICIES:

(A) BASIS OF PRESENTATION:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Fund and its majority owned subsidiaries.

(B) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include deposits in banks and short-term investments with original maturities of three months or less when acquired.

(C) PREPAID EXPENSES:

Included in this amount are costs to produce product catalogues, which are expensed to selling expenses over their estimated useful lives.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(D) INVENTORIES:

Inventories are valued at the lower of cost and net realizable value. Cost includes attributable direct costs and applicable share of manufacturing overhead. The Fund periodically reviews its inventories for potential slow-moving or obsolete items and records inventories, net of any obsolescence provisions.

(E) REVENUE RECOGNITION:

Revenue on the sale of products is recognized when goods are shipped and title to the goods has passed to the customer and collection is reasonably assured. The Fund makes a provision for estimated returns at the date of sale.

The Fund earns royalty income by assigning its rights to reproduce certain images on retail merchandise to third parties. Royalty income is recognized when a third party has sold goods that include the images and collection is reasonably assured.

(F) PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are stated at cost less accumulated amortization. The Fund periodically reviews its property, plant and equipment and an impairment charge is recorded when it is determined that the carrying amount of the assets is not recoverable and exceeds their fair value. Amortization is provided for over the estimated useful lives of the assets using the following methods and rates:

Asset	Basis	Rate
Buildings	Declining balance	4%
Production equipment	Declining balance	20%
Office and warehouse equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Straight-line	5 years
Automobiles	Declining balance	30%
Leasehold improvements	Straight-line	Lease term

(G) DEFERRED FINANCING COSTS:

Financing costs incurred to obtain credit facilities are deferred and amortized on a straight-line basis over the life of the related debt.

(H) GOODWILL:

Goodwill is recorded at cost and not amortized. Management reviews the carrying value of goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Any excess in carrying value of goodwill over fair value will be charged to income in the period in which the impairment is determined. During the second quarter ending June 30, 2005, the Company performed its annual impairment test on goodwill. The current valuation of the Fund was determined to be lower than its then carrying value and required a goodwill impairment loss of $34,826,000 to be recorded. A significant cause in the decline of the estimated value of the Fund was due to lower sales volume, which in turn had significant impact on lower than expected cash available for distribution to all unit holders of the Partnership.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(I) INTANGIBLE ASSETS:

Intangible assets are comprised of an image bank, artist agreements and customer base. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	
Image bank	2 years
Artist agreements	3 years
Customer base	4 years

Management reviews the carrying value of intangible assets for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recorded when it is determined that the carrying amount of these assets is not recoverable and exceeds their fair value.

(J) FOREIGN CURRENCY TRANSLATION:

The Fund's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in a foreign currency are translated at the prevailing rate of exchange at the balance sheet date and non-monetary assets and liabilities are translated at their historic exchange rates. Revenue and expenses denominated in foreign currencies are translated at the average exchange rates for the period. Any gains or losses on translation are included in income.

(K) DERIVATIVE FINANCIAL INSTRUMENTS:

Derivative financial instruments are utilized by the Fund in the management of its foreign currency exposures.

The Fund enters into forward foreign exchange contracts to hedge net U.S. dollar cash flows. The forward contracts are marked to market with the current fair value recorded on the balance sheet and the change included in other earnings on the statement of operations. The value is allocated between current and long-term portions based on the settlement date of the related contracts.

The Fund entered an interest rate swap agreement, which effectively fixed the variable interest rate for long-term debt at 5.4% per annum for the three-year term of the loan. The interest rate swap is subject to fluctuations in the bankers' acceptance rate. It is marked to market with its fair value recorded on the balance sheet and the change included in other earnings on the statement of operations.

(L) INCOME TAX:

As the Fund allocates all of its taxable income and taxable capital gains to unitholders, the Fund itself will not be subject to income taxes.

(M) USE OF ESTIMATES:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Significant areas requiring the use of management estimates relate to the determination of the collectibility of accounts receivable, net realizable value of inventories, useful lives of property, plant and equipment, valuation of goodwill and intangible assets and provisions for current liabilities. Actual results could differ from these estimates.

(TABULAR AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(N) EARNINGS PER UNIT:

Basic earnings per unit is calculated by dividing the net earnings by the weighted average number of units outstanding during the reporting period. Diluted earnings per unit is calculated by dividing the net earnings by the sum of the weighted average number of units outstanding used in the basic earnings per unit calculation and the number of units that would be issued assuming conversion of all potentially dilutive convertible securities using the treasury stock method.

For the year ended December 31, 2005, there were 503,200 class B LP units that were potentially dilutive securities which have been excluded in the diluted per share calculation as the Fund is in a loss position. For the period from August 3, 2004 to December 31, 2004, there were no dilutive securities outstanding.

(O) STOCK-BASED COMPENSATION:

The employees of the Fund receive remuneration from GVP Holdings Inc., the founder of the Art In Motion business, based on distributions to and market value of certain class C LP units (note 13). The Fund expenses and accrues for distributions to be made to employees under the plan when it is likely that such distributions will be made. Cash entitlements under the plan are accounted for over their vesting period based on the value of the entitlement at each reporting date. The Fund recognizes a charge attributable to the class C LP units granted under the plan over their vesting period based on their fair value at grant date. The resulting compensation expense is charged to the statement of operations with any amounts received or to be received from GVP Holdings Inc. recognized as an offset to non-controlling interest.

(P) ACCOUNTING CHANGES:

As of January 1, 2005, the Fund adopted Accounting Guideline 15, which requires a variable interest entity ("VIE") to be consolidated by its primary beneficiary ("PB"). The PB is the party that absorbs a majority of the VIE's expected losses and/or receives a majority of the expected residual returns. The Fund has evaluated its variable interests and has determined that the adoption of this guidance has no material impact on the financial statements.

3. INVENTORIES:

	YEAR ENDED DECEMBER 31, 2005	PERIOD FROM AUGUST 3, 2004 TO DECEMBER 31 2004
Artprints	$ 2,209	$ 2,432
Framing materials	2,942	3,183
Finished goods	791	855
	$ 5,942	$ 6,470

4. RELATED PARTY TRANSACTIONS:

The amount due as at December 31, 2004 to GVP Holdings Inc. is non-interest bearing and without specific terms of repayment, representing the balance owing to settle the purchase agreement for the acquisition of AIM LP. Transactions with the related party primarily consisted of the receipt and payment of cash distributions due under the Founders' Employee Participation Plan (note 13), along with payments to settle the net working capital adjustment clause as defined in the purchase agreement (note 1).

Included in distributions payable is $26,767 which represents class B distributions for December 2005 (2004 - $55,766) which were paid in the following January to GVP Holdings Inc.

(TABULAR AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS)

5. PROPERTY, PLANT AND EQUIPMENT:

		Cost		Accumulated amortization		Net book value 2005
Land	$	4,310	$	-	$	4,310
Buildings		11,500		644		10,856
Production equipment		2,510		625		1,885
Office and warehouse equipment		653		174		479
Computer hardware		584		204		380
Computer software		1,143		486		657
Automobiles		33		11		22
Leasehold improvements		61		9		52
	$	20,794	$	2,153	$	18,641

		Cost		Accumulated amortization		Net book value 2004
Land	$	4,310	$	-	$	4,310
Buildings		11,500		192		11,308
Production equipment		2,265		186		2,079
Office and warehouse equipment		651		54		597
Computer hardware		497		60		437
Computer software		1,022		137		885
Automobiles		26		4		22
Leasehold improvements		15		1		14
	$	20,286	$	634	$	19,652

6. INTANGIBLE ASSETS:

		Cost		Accumulated amortization		Net book value 2005
Image bank	$	501	$	355	$	146
Artist agreement		8,290		3,915		4,375
Customer base		10,880		3,853		7,027
	$	19,671	$	8,123	$	11,548

		Cost		Accumulated amortization		Net book value 2004
Image bank	$	501	$	104	$	397
Artist agreement		8,290		1,152		7,138
Customer base		10,880		1,133		9,747
	$	19,671	$	2,389	$	17,282

7. Bank indebtedness and long-term debt:

The Fund has available a $15,000,000 364-day committed operating facility available in Canadian or U.S. equivalent dollars ("Operating Loan"). The Operating Loan is available by way of banker's acceptances up to Cdn. $12,000,000, by U.S. dollar advances to a maximum of US$10,500,000, or by Canadian or U.S. dollar bank guarantees or letters of credit on behalf of AIM LP. The Operating Loan bears interest at a floating rate based on the Canadian or US dollar prime rate depending on the currency borrowed. At December 31, 2005, no amount (2004 - $662,030) was outstanding under the Operating Loan.

The Fund has a US$22,800,000 364-day committed line to allow AIM LP to enter into a maximum of US$60,000,000 in forward foreign exchange contracts (note 9).

The Fund has a $20,000,000 non-revolving term loan ("Capital Loan"). The Capital Loan bears interest at bank's prime rate plus 0.25% per annum and has a three-year term with interest only payable during the term. On August 20, 2004, the Fund entered an interest rate swap agreement, which effectively fixed the interest rate for the Capital Loan at 5.4% per annum for the three-year term.

The credit facilities are secured by a general security agreement creating a first security interest in the personal property of AIM LP, a first charge over the land and buildings and a floating charge over all other acquired real property of AIM LP. The credit facilities are subject to customary terms and conditions, leverage and interest coverage ratios.

As of December 31, 2005, the Fund is in compliance with its covenants.

8. Non-controlling interest:

The class B LP units (535,338 units) are exchangeable into units of the Fund (as of January 30, 2005) on the basis of one class B LP unit for each Fund unit.

The class C LP units (2,141,352 units) are exchangeable into units of the Fund after the Subordination End Date and in other limited circumstances at the option of GVP Holdings Inc. on the basis of one class C LP unit for each Fund unit.

Non-controlling interest is credited with its share of net earnings as well as full charges for the Founders' Employee Participation Plan (note 13), offset by distributions made against class B and class C LP units.

9. Financial instruments:

Risk management activities:

The Fund enters into forward foreign exchange contracts to hedge its foreign currency exposure on export sales. The contracts oblige the Fund to sell US dollars in the future at predetermined exchange rates. At December 31, 2005, the Fund had forward foreign exchange contracts to sell $41,500,000 (2004 - $51,500,000) in US dollars expiring at various dates to June 2007. The rates on the forward contracts range from 1.1776 to 1.4072.

The Fund entered into an interest swap with a notional amount of $20,000,000 to hedge its exposure on the interest rate on the long-term debt. The contract exchanges the floating rate of interest on the debt with a fixed rate of 5.4% per annum over the three-year term.

Fair values:

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities and bank indebtedness approximate their fair values due to the relatively short periods to maturity of the instruments.

The carrying value of the long-term debt approximates its fair value as the debt has a floating rate of interest. The forward foreign exchange contracts and interest rate swap are carried at fair value on the consolidated balance sheet. The fair value of the amount due to related party at December 31, 2004 approximates its fair value as the amount was fully repaid subsequent to the period end.

(TABULAR AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS)

10. CONCENTRATION OF CREDIT RISK:

For the year ended December 31, 2005, approximately 22% (period from August 3, 2004 to December 31, 2004 - 30%) of gross sales were earned from two customers: 12% and 10%, respectively (December 2004 - 16% and 14% respectively).

As at December 31, 2005, approximately 91% (Dec.2004 - 91%) of the trade accounts receivable were denominated in United States dollars. Subsequent to the balance sheet date, the value of the United States dollar relative to the Canadian dollar has increased from $1.1630 at Dec. 31, 2005 to approximately $1.1398 as at March 6, 2006.

11. COMMITMENTS:

The Fund has entered into an operating lease for certain equipment and premises. The annual operating lease obligations over the remaining term of the leases are approximately as follows:

2006	$	642
2007		797
2008		624
2009		532
2010		524
2011 and thereafter		395
	$	3,514

12. CONTINGENCIES:

At December 31, 2005, the Fund had $182,634 (USD $157,037) (December 2004 - $94,240 (USD $78,403)) in letters of credit outstanding, issued in relation to inventory in transit.

13. FOUNDERS' EMPLOYEE PARTICIPATION PLAN (THE "FEPP"):

GVP Holdings Inc., the founder of the Art In Motion business, established the FEPP to remunerate employees of the Fund and will compensate the Fund for all payments under the FEPP.

Under the FEPP, 503,200 of the class C LP units are allocated to employees from which the quarterly payments to employees are based on distributions received on those units by GVP Holdings Inc. As the class C LP units are subordinated in favour of distributions on the class A and class B LP units, distributions on class C units are reduced to the extent necessary to meet the distribution targets for class A and class B LP units. Any accumulated deficiency in distributions or advances on class C LP units not satisfied within 12 months from the date it arose will cease to be payable. These class C LP units vest to the employees at the end of three years from the date of grant, subject to subordination provisions. In connection with the resignation of certain employees, 40,400 of these units became immediately vested. As of December 31, 2005, 61,200 (2004 - 29,000) of these units had been forfeited and were available for reassignment at a later date. Subsequent to year end, 50,000 of the forfeited units were reassigned to certain key employees. During the year ended December 31, 2005, the Fund recognized compensation expense relating to these class C LP units in the amount of $1,641,832 (period from August 3, 2004 to December 31, 2004 - $759,100), which was offset by a credit to non-controlling interest.

In addition, 209,000 of the class C LP units are allocated to employees under the FEPP from which the quarterly payments are made if the distributions on the class C LP units exceed $0.3125 per unit, providing all deficiencies in the preceding four prior quarters have been paid. For this portion of the class C LP units, the employees will receive a cash payment at the end of five years equal to the excess of market value of the unit over $10. No payments on these class C LP units have been made to date and no compensation expense has been recognized based on the value of the units. As of December 31, 2005, none of these units have been forfeited; however, any future forfeited units will be available for re-assignment at a later date. In connection with the resignation of certain employees, 40,000 units have become immediately vested.

(TABULAR AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS)

14. SEGMENTED INFORMATION:

The Fund operates in a single reportable operating segment as a publisher, framer and licensor of images and fine-art reproductions. The Fund's gross sales are derived from four main categories as follows:

	Year ended December 31, 2005	Period from August 3, 2004 to December 31 2004
Artprints	$ 8,227	$ 4,168
Framed and other	36,659	17,642
Decographs	18,808	11,450
Transfers	3,052	1,955
Gross sales	66,746	35,215
Discounts and allowances	(3,716)	(2,246)
Sales	63,030	32,969
Royalties	2,776	1,812
	$ 65,806	$ 34,781

The Fund sells to customers located in the following regions:

Canada	$ 7,247	$ 3,429
United States	51,369	27,364
Europe	7,160	3,784
Other	970	638
Gross sales	66,746	35,215
Discounts and allowances	(3,716)	(2,246)
Sales	$ 63,030	$ 32,969

Royalty income is earned almost entirely from customers located in the United States.

As at December 31, 2005, $189,417 (2004 - $58,729) of the Fund's assets were located in the United States and the remainder of the assets were located in Canada.

15. SUPPLEMENTAL INFORMATION:

Change in non-cash operating working capital:		
Accounts receivable	$ 2,933	$ (1,058)
Inventories	528	1,076
Prepaid expenses	407	280
Accounts payable and accrued liabilities	(1,463)	(16)
Distributions payable	(464)	892
	$ 1,941	$ 1,174

16. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.

Trustees and Directors

Wanda Costuros

Director of Art In Motion GP Ltd. and Trustee of the Fund.
Wanda Costuros is the Chair of Land Title and Survey Authority of BC and a director of BC Hydro and Power Authority and its subsidiary, Powerex. From 2000 to 2003, Ms. Costuros was Vice President and Chief Financial Officer of Xantrex Technology, a company which focuses on the design, manufacture and marketing of advanced power electronics. Prior to joining Xantrex, Ms. Costuros acted as Senior Financial Consultant to Ballard Power Systems, a world leader in fuel cell development. She has also held senior management positions with Aber Resources, Fletcher Challenge Canada and TimberWest Forest Corp. Ms. Costuros has an MBA from Simon Fraser University and is a Certified Management Accountant.

Gary Patterson

Director of Art In Motion GP Ltd. and Trustee of the Fund.
Gary Patterson is a trustee of Summit REIT, one of Canada's largest Real Estate Investment Trusts, and President of GAP Financial Ltd., a private consulting firm. From 1998 to 2003, Mr. Patterson was the Executive Vice-President of Inwest Investments, a private investment company with substantial holdings in Canadian retail, real estate and pharmaceutical companies. This included Future Shop, where he was Executive Vice President and Chief Financial Officer from 1993 to 2001. Mr. Patterson has a Bachelor of Commerce from Mount Allison University and is a Fellow of the Institute of Chartered Accountants of BC.

R. Keith Purchase

Director of Art In Motion GP Ltd. and Trustee and Vice-Chair of the Board of the Fund. Keith Purchase is Chair of Catalyst Paper, a Director of Integrated Paving Concepts Ltd., a trustee of Tree Island Wire Income Fund and Chair of Fraser Health. He has held several senior executive positions within the forest industry, including Executive Vice President and COO for MacMillan Bloedel, President and CEO of TimberWest Forest Corp., and Managing Director of Tasman Pulp and Paper in New Zealand. Mr. Purchase has a Bachelor of Engineering (Mechanical) from Auckland University in New Zealand, a Bachelor of Commerce and Administration from Victoria University in Wellington, New Zealand and an MBA from Simon Fraser University.

Robert Quart

Director and Chair of the Board of Art In Motion GP Ltd., and Trustee and Chair of the Board of the Fund.
Robert (Bob) Quart is Vice-Chair of the Insurance Corporation of British Columbia, a provincial Crown Corporation established to provide universal auto insurance to all BC motorists. In addition, he is a director of Jace Holdings Ltd., which operates the Thrifty Foods grocery chain. From 1988 until his retirement in 1999, Mr. Quart served as CEO of Vancouver City Savings Credit Union, Canada's largest credit union. He has also held senior executive positions at Montreal Trust and acted as director for VISA Canada. Mr. Quart has a Bachelor of Commerce from the University of Ottawa.

Antonella Vergati

Director of Art In Motion GP Ltd. and Trustee of the Fund.
Antonella Vergati is Executive Director with Russell Reynolds Associates, a global executive recruitment and management assessment firm. Prior to that, she acted as a consultant to Shoppers Drug Mart, and spent five years as Manager of Bain & Company, one of the world's leading global business consulting firms. She has also served as Director of Corporate Development at Gucci Group, and as an analyst with Morgan Stanley, a leading global financial services firm. Ms. Vergati has an MBA from Harvard Business School and a Bachelor of Commerce from the University of Toronto. Antonella speaks Italian and French fluently and has lived and worked in the US, Canada, the UK and Italy.

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Income Fund Website

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Register and Transfer Agent

Computershare Trust Company of Canada

Auditors

KPMG LLP, Vancouver, B.C.

Market Information

Units Listed:
Toronto Stock Exchange
Trading Symbol: AIM.UN

Investor Relations

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Annual General Meeting

The Annual General Meeting of Art In Motion Income Fund

Registration at 1:30 pm, Meeting begins at 2:00 pm
Thursday, May 11, 2006

Executive Plaza Hotel and Conference Centre
405 North Road, Coquitlam, BC
Phone: (604) 936-9399